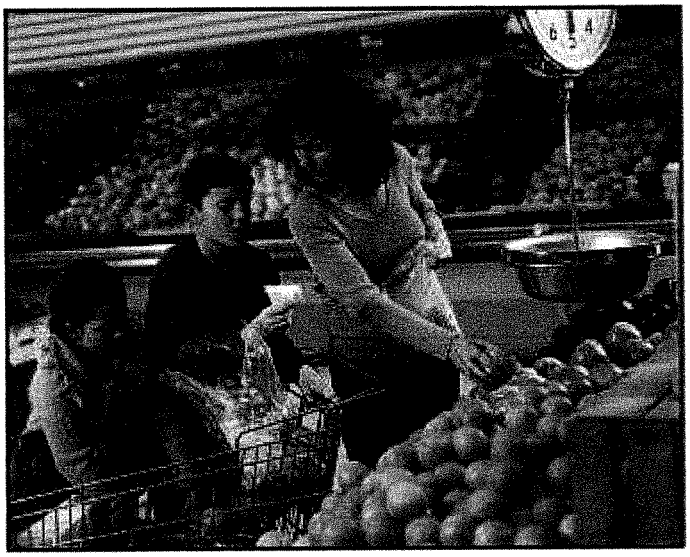
THE BUSINESS CASE FOR INCREASING PARTICIPATION IN THE TENNESSEE FOOD STAMP PROGRAM



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THE BUSINESS CASE FOR INCREASING PARTICIPATION IN THE TENNESSEE FOOD STAMP PROGRAM

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12/23/05

THE BENEFITS OF THE FOOD STAMP PROGRAM

Helping Low-Income Families

- *Stretch food dollars.* Those receiving food stamp benefits spend more money on food than other low-income households. Every additional dollar's worth of food stamp benefits generates 17 to 47 cents of new spending on food.

- *Fight obesity through education.* Nutrition educators teach food stamp participants the importance of a quality diet, how to prepare healthy foods, and how to make healthy choices.

- *Put food on the table for their children.* Food stamp benefits are an investment in our future. More than fifty percent of participants are children.

- *Keep elderly family members independent.* For the elderly, participation can help improve nutritional status and well-being and increase independence. Nine percent of participants are age 60 or older.

- *Transition to self sufficiency.* The Food Stamp Program (FSP) helps participants become financially stable and provides needed support as they transition to self sufficiency. Half of all new participants will leave the program within nine months.

Helping States and Local Communities

- *Support Local Food Retailers.* The average monthly food stamp benefit is approximately $200, which is spent in local grocery stores.

- *Generate economic activity.* Every $5 in new food stamp benefits generates $9.20 in total community spending.

- *Support farms.* On average, $1 billion of retail food demand by food stamp recipients generates 3,300 farm jobs.

- *Leverage Federal funds.* Food stamp benefits are Federal funds. By increasing the number of people in the FSP, communities can bring Federal money into their States and communities.

Helping Businesses and Workers

- *Achieve Optimal Performance.* Employees whose food needs are met at home may have higher productivity and take fewer sick days for themselves and their children.

- *Attain Self-Sufficiency.* Food stamp benefits supplement the food budgets of low income workers so they can stay independent and work toward self-sufficiency.

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12/23/2005

THE BENEFITS OF INCREASING FOOD STAMP PROGRAM PARTICIPATION IN TENNESSEE

Introduction

The Food Stamp Program (FSP) is an investment in our future. It offers nutrition benefits to participating clients, supports work, and provides economic benefits to communities. However, too many low-income people who are eligible for the program do not participate and thus forgo nutrition assistance that could stretch their food dollars at the grocery store. Their communities lose out on the benefits provided by new food stamp dollars flowing into local economies.

> "Food stamps are the first line of defense against hunger in our community. Making sure low-income people receive food stamps accomplishes many things. First and most importantly people get fed. Second, community and faith-based organizations such as ours are relieved of having to provide a higher level of food assistance. Third, the local grocers do business with customers that they may not have otherwise and fourth, we are all healthier and happier."
>
> **Bill Bolling**
> **Executive Director**
> **Atlanta Community Food Bank**
> **Atlanta, Georgia**

In fiscal year 2003, only 56 percent[1] of those eligible for food stamp benefits participated. The most common reason eligible people do not participate is because they do not realize they may be eligible. Others choose not to apply because of myths or misunderstandings about food stamp benefits or because of stigma that continues to persist. Others make a cost-benefit decision that the time involved in applying for benefits is not worth the expected return. Some do not want to accept government assistance. For specific populations, there may be additional compounding factors, such as language barriers for legal immigrants, or time and transportation barriers for the working poor. Seniors may not understand the nature of the program and choose not to apply for benefits, thinking children or families need the help more.

Outreach and education are powerful tools in overcoming barriers to food stamp participation. Even a small increase in food stamp participation can have a substantial impact. If the national participation rate rose five percentage points, 1.8 million more low-income people would have an additional $1.2 billion in benefits per year to use to purchase healthy food and $2.2 billion total in new economic activity would be generated Nationwide.

Even a small increase in the food stamp participation rate can make a big difference to your State's economy. In Tennessee, the fiscal year 2003 food stamp participation rate was 82 percent and there were 706,000 participants. But, if the food stamp participation rate rose just five percentage points, 43,000 more low-income people would have $28,200,000 more per year to purchase nutritious food. As a result, $51,900,000 in total new economic activity would be generated in your State.

Why does increasing participation in the FSP make sense for your community?

The FSP generates economic activity.

The FSP brings Federal dollars into communities in the form of benefits which are redeemed by food stamp participants at local stores. These benefits ripple throughout the economies of the community, State, and Nation. For example:

- Every $5 in new food stamp benefits generates $9.20 in total community spending.[2]
- Every additional dollar's worth of food stamp benefits generates 17 to 47 cents of new spending on food.[3]

- On average, $1 billion of retail food demand by food stamp recipients generates 3,300 farm jobs.[4]

In fiscal year 2004, the average monthly food stamp benefit per household was approximately $200.[5] These benefits, funded by Federal dollars, create business when they are redeemed at your local food retailers. Eighty-six percent of benefits, totaling $21 billion, were redeemed at the Nation's 35,000 supermarkets. The remaining benefits, totaling $3 billion, contribute to the viability of 118,000 other firms which include grocery stores, convenience stores, combination stores, farmers markets and other retail food stores, plus wholesalers and meal services.[6]

"A successful redemption program probably means that we are successfully servicing the needs of our community. By being able to meet our customers' needs during a particular time in their lives, we are often able to establish a relationship that outlives the time a person is eligible for food stamps. In that case we benefit from that customer both now and in the future. Food stamp redemption is a way to get your best customer in the front door and to establish a long-term relationship with that customer."

George Matics
Purchasing Director
Cardenas Markets, Inc.
Ontario, California

Food stamp benefits are positively and significantly related to household food expenditures.[7] Although estimates of the impact vary, studies have shown that a $1 increase in the value of food stamp benefits of a typical recipient household leads to additional food expenditures of between 17 and 47 cents.[8] Food stamp recipients spend more dollars on food at local retailers in communities than eligible non-participants.

Food stamp benefits can be used at authorized farmers markets that sell local produce. This provides additional customers for local farmers and provides food stamp recipients access to healthy locally grown fruits and vegetables that might otherwise be unavailable to them.

The FSP supports work and helps low-income people make the transition to self-sufficiency.

"By providing this information to our staff, we feel that we are helping our employees learn about benefits they deserve. We hope these benefits will be meaningful for them and their families."

Alicia M. Cuervo
Human Resources Manager
Mercy Hospital
Miami, Florida

Twenty-eight percent of participating food stamp households have earnings.[9] Employees whose nutrition needs are met at home may be healthier and thus may take fewer sick days for themselves or their children. Employees may stay longer with companies that care about them by sharing information about food stamp benefits and its importance as a work support.

The FSP helps families become financially stable and make the transition to self-sufficiency, getting them through the tough times. Half of all new participants will leave the program within nine months.[10]

Food stamp benefits are a work support. Food stamp benefits help those leaving the Temporary Assistance for Needy Families program and transitioning to work by supplementing their food budgets so that they can stay independent and work toward self-sufficiency.[11] Since food stamp benefits decrease only by 24 to 36 cents for every additional dollar of earnings, food stamp recipients have incentives to work since they will be better off working rather than receiving food stamp benefits alone.[12]

The FSP helps low-income families make healthy food choices and put more nutritious food on the table.

Dietary patterns among the general public, as well as those among low-income people, indicate an excessive consumption of calories, unhealthy fats and sugars, while fruit, vegetable and whole grain intakes are modest.[13] These poor eating habits contribute to making overweight and obesity a national health problem. In addition to the toll on personal health, this "epidemic" of obesity has

economic implications as well. Obesity-attributable medical expenditures in the United States reached $75 billion in 2003. Taxpayers financed about half of these costs through Medicare and Medicaid.[14]

However, research shows that low-income households participating in the FSP have access to more food energy, protein, and a broad array of essential vitamins and minerals in their home food supply compared to eligible non participants.[15] Nationwide, if there were a 5 percentage point increase in the food stamp participation rate, an additional 1.8 million low-income people would reap the nutrition benefits of the FSP. The FSP also helps participants manage their food resources more wisely through food stamp nutrition education. States may exercise the option to provide targeted nutrition education activities or social marketing campaigns designed to help persons eligible for the FSP make healthier food choices and pursue active lifestyles.

> "The additional support which food stamps provide to needy individuals is readily seen in our stores that serve customers in low-income areas. This benefit not only helps those who require some additional assistance in making ends meet, but is also an aid to the supermarkets making a commitment to serving economically challenged communities. Our partnership with nonprofit organizations in outreaching to potential participants speaks to Pathmark's commitment to this important program."
>
> **Rich Savner**
> **Director of Public Affairs and Government Relations Pathmark Stores, Inc.**
> **Carteret, New Jersey**

Because food stamp benefits are available to most low-income households with few resources, regardless of age, disability status, or family structure, food stamp households are a diverse group. Nine percent of food stamp recipients are aged 60 or older.[16] For the elderly, a particularly vulnerable and underserved population, participation in the FSP and other food assistance programs can help improve nutritional status and well-being and increase independence. More than 50 percent of food stamp participants are children.[17] Children who are well nourished may have better attendance at school and, once there, may be more focused on learning.

Combined Efforts Are Needed

The FSP is the cornerstone of the Nation's nutrition safety net providing assistance to those who qualify. It helps relieve pressure on emergency food providers, enabling them to provide more assistance to those who do not quality for food stamp benefits. Because of the nutrition benefits to participants and the economic benefits to the Nation and to States and communities, the Food and Nutrition Service (FNS) has made improving access to the FSP a priority. Increasing participation in the FSP requires the combined efforts of national, State, and local public leaders as well as non-profit community agencies, employers, and anyone else who touches the lives of potentially eligible people.

> "To reach common ground, we need to go to higher ground. Together with our business and government leaders, we can build community and economic prosperity for all."
>
> **Daniella Levine**
> **Executive Director**
> **Human Service Coalition**
> **Miami, Florida**

[1] U.S. Department of Agriculture, Food and Nutrition Service, Office of Analysis, Nutrition, and Evaluation. *Food Stamp Program Participation Rates:2003.* By Karen Cunnygham. Project Officer, Kate Fink. Alexandria, VA: 2005. Available at http://www.fns.usda.gov/oane/MENU/Published/FSP/FILES/Participation/FSPPart2003.pdf.

[2] Hanson, Kenneth, and Elise Golan (2002). *Effects of Changes in Food Stamp Expenditures Across the U.S. Economy.* Washington, DC: U.S. Department of Agriculture, Economic Research Service. Available at http://www.ers.usda.gov/publications/fanrr26/fanrr26-6/fanrr26-6.pdf. Note: Economic effect of increasing food stamps measured for the whole U.S. economy. It may vary by location.

[3] *Food and Nutrition Assistance Programs and the General Economy: Links to the General Economy and Agriculture* (2002). Washington, DC: U.S. Department of Agriculture, Economic Research Service. Available at http://www.ers.usda.gov/Briefing/GeneralEconomy/linkages.htm . Note: Recipients spend all food stamps on food. Food stamps allow them to shift some of their previous cash expenditures on food to alternative uses.

[4] Ibid.

[5] United States Department of Agriculture, Food and Nutrition Service (2004). http://www.fns.usda.gov/pd/fsavghh$.htm.

[6] STARS Quarterly Management Activity Report, 10/23/04.

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[11] Rosenbaum, Dorothy and David Super (2005). The Food Stamp Program: Working Smarter for Working Families. Washington, DC: Center on Budget and Policy Priorities. Available at http://www.cbpp.org/3-15-05fa.htm.

[12] Ibid.

[13] Gleason P, Rangarajan A, Olson C. *Dietary Intake and Dietary Attitudes Among Food Stamp Participants and Other Low-Income Individuals.* Report prepared for the Food and Nutrition Service, USDA, September 2000. Available at: http://www.fns.usda.gov/oane/MENU/Published/NutritionEducation/Files/FSPDiet.pdf

[14] *Obesity Costs States Billions in Medical Expenses.* Press Release. U.S. Department of Health and Human Services, January 21, 2004. http://www.cdc.gov/nccdphp/dnpa/press/archive/state_obesity_1_2004.htm.

[15] Devaney, Barbara, Pamela Haines, and Robert Moffitt (1989). *Assessing the Dietary Effects of the Food Stamp Program -Volumes I and II.* Alexandria, VA: U.S. Department of Agriculture, Food and Nutrition Service. Available at http://www.nal.usda.gov/foodstamp/FOODSTAMPREPORTS/FSP-9A.PDF and http://www.nal.usda.gov/foodstamp/FOODSTAMPREPORTS/FSP-9B.PDF.

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[16] U.S. Department of Agriculture, Food and Nutrition Service, Office of Analysis, Nutrition and Evaluation. *Characteristics of Food Stamp Households: Fiscal Year 2003*, by Karen Cunnyngham and Beth Brown. Project Officer, Kate Fink. Alexandria, VA: 2004. Available at http://www.fns.usda.gov/oane/MENU/Published/FSP/FILES/Participation/2003Characteristics.pdf

[17] Ibid.

CALCULATION METHODOLOGY

Potential Increases in People Served, Total Benefits, and Economic Activity Associated With Higher Food Stamp Participation Rates

In an average month of fiscal year 2003, about 56 percent of the people eligible for food stamp benefits participated in the Food Stamp Program. Approximately 16 million eligible individuals did not receive the benefits for which they might qualify (Cunnyngham 2005). This paper describes the steps taken to estimate for each State and the Nation the potential increases in people served, annual food stamp benefits, and total economic activity that would result from increases in the participation rate among people eligible for food stamp benefits.

In general, the approach described here begins with published estimates of the number of eligible non-participants in each State in an average month of fiscal year 2003, calculates the number of potential new participants based on an assumed increase in the participation rate, determines the expected benefit among these potential new participants, and applies a multiplier to capture the economic stimulus generated by new food stamp expenditures. Given the limitations of existing data, the estimates here make the simplifying assumption that average benefits among non-participants are a constant fraction of average benefits among participants, and that the economic multiplier is constant across all States.

It is unlikely that any State can reach all potential participants and achieve a 100 percent participation rate. For some non-participants, the potential benefit may be too small to warrant the application; others may choose not to rely on government assistance. Because the maximum achievable participation rate cannot be known with certainty, the results are presented here showing the effects if the participation rates rose by five percentage points.

It should be noted that food stamp participation has grown substantially since 2003. In August 2005, the program served more than 25 million people, nearly 5 million more than the number served in 2003. Although more current estimates are available, they include the impact of disaster assistance participation and are inappropriate for this type of analysis. Nonetheless, it is likely that participation rates are higher now in many, if not most, States. Thus, some of the potential gains illustrated in the attached table may have been realized already.

The example on the next page uses national data to illustrate the calculations. Note that all column notations in the example refer to the attached table entitled "Potential Increases in People Served, Total Benefits, and Economic Activity If All States Served An Additional 5 Percent of Eligible in Fiscal Year 2003."

Example to Illustrate Calculations Using National Data

Description	United States
Step 1: Estimate the number of eligible non-participants. *Reaching Those in Need: State Food Stamp Participation Rates in 2003* (Castner and Schirm 2005) presents estimates of the number of people eligible for food stamp benefits, the number of participants, and the participation rate for each State and the District of Columbia in an average month of fiscal year 2003. (Estimates for Guam and the Virgin Islands are not available.) The number of eligible non-participants (column 5) is the difference between the number eligible (column 3) and the number participating (column 2).	37,028,000 - 20,595,000
Number of eligible non-participants:	**16,433,000**
Step 2: Estimate the number of potential new participants. The number of potential new participants depends on the expected participation rate. In fiscal year 2003, state participation rates ranged from 43 percent to 83 percent, with a national average of 56 percent. The attached table assumes all States increase the fiscal year 2003 participation rate by five percentage points. The number of potential new participants (column 6) is equal to 5 percent of the estimated number of eligibles (column 3).	37,028,000 x .05
Number of potential new participants:	**1,851,000**
Step 3: Determine the expected benefit for eligible non-participants. Previous research has shown that people eligible for relatively large benefits are more likely to participate than people eligible for relatively small benefits. Thus, while 56 percent of the people eligible for benefits received them in 2003, they received 65 percent of the total potential benefits. The average benefit among eligible non-participants in 2003 was about two-thirds (.664) of the average among participants [derived from Table A.1 in Cunnyngham (2005)]. Information on the average monthly benefit per participant in fiscal year 2003 for each State is taken from the Food and Nutrition Service National Data Bank (downloaded on November 15, 2005). The adjusted benefit among non-participants (column 8) is equal to .664 times the average benefit among participants (column 7).	$83.90 x .664
Expected benefit for eligible non-participants:	**$55.71**
Step 4: Calculate value of additional food stamp benefits. The total annual value of additional food stamp benefits (column 9) is equal to the number of potential new participants (column 6) times their average adjusted monthly benefit among non-participants (column 8) times 12 months. Increasing the national participation rate by five percentage points would bring in $1.2 billion in additional food stamp benefits (column 9).	1,851,000 x 12 x $55.71
Value of Additional Food Stamp Benefits:	**$1,238,000,000**

Step 5: Calculate value of total economic activity. Increases in food stamp benefits can stimulate additional economic activity. An increase in benefits raises spending by recipient households, which then stimulates production. Higher production boosts labor demand and household income. Increased household income triggers additional spending. Hanson and Golan (2002) estimate that an additional $500 in food stamp expenditures triggers an increase in total economic activity of $920. The value of total economic activity including the value of food stamps (column 10) is equal to the increase in food stamp benefits (column 9) times 1.84 (920 divided by 500 equals 1.84).	
Every five percentage point increase in the national participation rate would generate a total of $2.2 billion in economic activity (column 10).	$1,238,000,000 x 1.84
Value of Total Economic Activity	**$2,278,000,000**

Note: Results of calculations may not exactly equal results displayed in the example due to rounding.

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Potential Increases in People Served, Total Benefits, and Economic Activity If All States Served An Additional 5 Percent of Eligibles in Fiscal Year 2003

(In Thousands)

(1) State	(2) Participants	(3) Eligibles	(4) Participation Rate	(5) Eligible Non-Participants	(6) Potential New Participants	(7) Average Benefit Among Participants	(8) Adjusted Benefit Among Non-participants	(9) Annual Benefits	(10) Total Economic Activity
Alabama	460	823	0.56	364	41	82.28	54.64	27,000	49,700
Alaska	49	74	0.65	26	4	108.06	71.75	3,200	5,900
Arizona	450	706	0.64	255	35	88.96	59.07	25,000	46,000
Arkansas	308	495	0.62	187	25	81.72	54.26	16,100	29,600
California	1,674	3,723	0.45	2,049	186	88.07	58.48	130,600	240,300
Colorado	202	424	0.48	222	21	81.43	54.07	13,700	25,200
Connecticut	174	327	0.53	153	16	76.11	50.53	9,900	18,200
Delaware	44	81	0.53	38	4	86.53	57.45	2,800	5,200
DC	79	109	0.72	30	5	91.83	60.97	4,000	7,400
Florida	1,007	2,107	0.48	1,100	105	79.05	52.49	66,300	122,000
Georgia	737	1,139	0.65	402	57	86.91	57.71	39,400	72,500
Hawaii	99	147	0.67	48	7	129.66	86.10	7,600	14,000
Idaho	78	146	0.53	68	7	78.28	51.98	4,500	8,300
Illinois	937	1,544	0.61	607	77	91.97	61.06	56,600	104,100
Indiana	450	697	0.65	247	35	85.73	56.92	23,800	43,800
Iowa	150	262	0.57	112	13	80.86	53.69	8,400	15,500
Kansas	155	281	0.55	127	14	72.80	48.34	8,200	15,100
Kentucky	487	725	0.67	238	36	80.61	53.52	23,300	42,900
Louisiana	636	928	0.69	292	46	87.14	57.86	32,200	59,200
Maine	125	174	0.72	49	9	77.98	51.78	5,400	9,900
Maryland	241	503	0.48	262	25	84.83	56.33	17,000	31,300
Massachusetts	281	658	0.43	378	33	72.37	48.06	19,000	35,000
Michigan	781	1,193	0.65	413	60	77.91	51.73	37,000	68,100
Minnesota	229	386	0.59	157	19	80.67	53.56	12,400	22,800
Mississippi	351	585	0.60	234	29	78.48	52.11	18,300	33,700
Missouri	565	748	0.76	183	37	79.96	53.09	23,800	43,800
Montana	70	142	0.50	72	7	80.56	53.49	4,600	8,500
Nebraska	96	172	0.56	76	9	74.99	49.79	5,100	9,400
Nevada	109	245	0.44	136	12	84.32	55.99	8,200	15,100
New Hampshire	43	93	0.46	50	5	74.22	49.28	2,700	5,000
New Jersey	336	713	0.47	377	36	83.28	55.30	23,600	43,400
New Mexico	190	365	0.52	175	18	78.50	52.13	11,400	21,000
New York	1,416	2,963	0.48	1,547	148	97.29	64.60	114,900	211,400
North Carolina	636	1,292	0.49	656	65	82.82	54.99	42,600	78,400
North Dakota	38	74	0.51	36	4	77.11	51.20	2,300	4,200
Ohio	844	1,385	0.61	540	69	85.61	56.84	47,200	86,800
Oklahoma	366	548	0.67	182	27	79.42	52.74	17,300	31,800
Oregon	354	429	0.83	75	21	79.70	52.92	13,600	25,000
Pennsylvania	808	1,505	0.54	697	75	79.56	52.83	47,700	87,800
Rhode Island	71	135	0.53	64	7	77.41	51.40	4,200	7,700
South Carolina	442	674	0.65	233	34	82.00	54.45	22,000	40,500
South Dakota	51	97	0.52	46	5	82.26	54.62	3,200	5,900
Tennessee	706	858	0.82	152	43	82.59	54.84	28,200	51,900
Texas	1,813	3,789	0.48	1,976	189	83.71	55.58	126,400	232,600
Utah	104	219	0.48	115	11	80.63	53.54	7,000	12,900
Vermont	40	67	0.60	27	3	75.87	50.38	2,000	3,700
Virginia	383	712	0.54	329	36	77.75	51.63	22,100	40,700
Washington	386	646	0.60	260	32	81.35	54.02	20,900	38,500
West Virginia	242	355	0.68	113	18	72.93	48.42	10,300	19,000
Wisconsin	280	511	0.55	232	26	65.57	43.54	13,400	24,700
Wyoming	25	55	0.46	30	3	79.21	52.60	1,700	3,100
Total	20,595	37,028	0.56	16,433	1,851	83.90	55.71	1,238,100	2,278,500

Notes:

1. The number of participants, eligibles, and participation rate in each State is reported in Castner and Schirm (2005).
2. The number of potential new participants would raise each State's participation rate by 5 percentage points.
3. The adjusted average benefit among non-participants is assumed to be two-thirds of the average among participants in each State.
4. Total economic activity is assumed to be equal to 1.84 times the value of total annual benefits in each State.
5. Sum of rows may not equal total due to rounding.

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